

January 11, 2023

6b | Consent
Calendar**REGULAR MEMBERS**

CHAIR

Douglass Davert
Special District Member

VICE CHAIR

Donald P. Wagner
County Member

IMMEDIATE PAST CHAIR

Derek J. McGregor
Public Member**Wendy Bucknum**
City Member**James Fisler**
Special District Member**Vacant**
City Member**Vacant**
County Member**ALTERNATES****Andrew Do**
County Member**Kathryn Freshley**
Special District Member**Lou Penrose**
Public Member**Vacant**
City Member**STAFF****Carolyn Emery**
Executive Officer**Scott Smith**
General Counsel**TO:** Local Agency Formation Commission
of Orange County**FROM:** Executive Officer**SUBJECT:** Fiscal Year 2022-2023 Quarterly Financial Report
(*Second Quarter*)

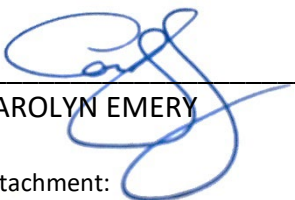
The attached quarterly financial report provides an assessment of the agency's budget and investment portfolio for the period of October 1 through December 31, 2022. Upon review by the Commission, the quarterly reports are published on the transparency page of the agency's website. The next report on the agency's financial status will be presented in April 2023.

RECOMMENDED ACTION

Staff recommends the Commission:

1. Receive and file the Fiscal Year 2022-2023 Financial Quarterly Report (*Second Quarter*).

Respectfully Submitted,



CAROLYN EMERY

Attachment:

1. Fiscal Year 2022-2023 Financial Quarterly Report (Second Quarter)



Quarterly Financial Report

Fiscal Year 2022-23 (Second Quarter)

Prepared: January 11, 2023

HIGHLIGHTS:

FY 2022-23 Budget Overview – Pages 2-4

Balance Sheet & Reserves Analysis – Pages 5-6

FY 2022-23 BUDGET OVERVIEW

This report provides a summary of the agency's budget and investment portfolio performance for the period of October 1, 2022 through December 31, 2022.¹ The Fiscal Year 2022-23 budget of approximately \$1.5 million supports the operations of the Commission and the resources needed to accomplish the work plan. During the second quarter, overall expenditures were approximately nine percent below the target level while continuing to meet the needs of the agency.

Revenues

The OC LAFCO funding apportionment collected from the County, 34 cities and 27 special districts totaling \$1,227,730 was at 100% at the end of second quarter. The agency also earns interest from its investment portfolio. At the end of the second quarter, the Commission's earnings totaled \$4,046, which is approximately 64% of the interest revenues anticipated for the fiscal year.

Another source of OC LAFCO revenue is application filing fees. These filing fees are not used for budgeting purposes as they are used to offset the costs associated with the processing of the respective applications. During the second quarter, \$12,500 in filing fees were received. These filing fees, along with application fees rolled over from other pending applications are shown in the financial overview as revenue within the Special Fund column. The Special Fund column in the chart on page 4 also includes an accounting of application expenses incurred during the second quarter of the 2022-23 fiscal year.

Expenditures

The General Fund expenditures as of December 31, 2022 are below the second quarter target level totaling \$637,399 or 41% of the total budget. The following table provides a comparison of the percentage of actual funds used and the target levels for the current fiscal year.²

Total Funds Used				
	1 st Qtr.	2 nd Qtr.	3 rd Qtr.	4 th Qtr.
Target	25%	50%	75%	100%
Actual	18%	41%	-	-

Most expenditures during the second quarter are within target levels with expenses attributed to key operational costs, such as, salaries, benefits and office lease, and audit and accounting services. Line items that include expenses of consultant services, travel and registration and office equipment are above the target levels of the second quarter due to expenditures of these areas being due or expended at the beginning of the fiscal year. Hence, anticipated expenses within these line items are expected to balance within budgeted levels by fiscal year-end.

¹ All financial statements contained in this report are on an accrual accounting basis.

² Actual expenditures for the quarterly reporting are unaudited and subject to change.

Balances and Investment Report

The following table illustrates the balance of OC LAFCO's bank accounts as of December 31, 2022:

As of 09/30/22	Balance
770-Payroll Account	\$333,720
Wells Fargo Checking	\$171,312
Wells Fargo Savings	<u>\$213,503</u>
Total	\$718,535

To maximize the interest accrued on the agency's revenues, apportionment fees are deposited in the Local Agency Investment Fund (LAIF) and OC Fund accounts. Throughout the fiscal year, funds are transferred from the investment accounts to the bank accounts to cover the agency's operational expenses. Additionally, the agency earns investment revenue through the Section 115 Public Agencies Post-Employment Benefits Trust (Trust). The current balance of the Trust account at the end of the second quarter is \$52,973. This represents an overall loss of approximately \$9,027 from the agency's initial deposit of \$62,000 in 2021. In accordance with the Commission's investment policy, deposits are made to the Trust following the annual audit and normally during the second quarter. However, as the audited financial statements for the fiscal year ending June 30, 2022 did not represent a surplus, there was no deposit to the Trust in 2022. Staff will assess the opportunity to transfer to the Section 115 account at the end of the 2022-23 fiscal year.

The following table illustrates the balance of OC LAFCO's investment portfolio as of December 31, 2022.

As of 09/30/22	Balance
LAIF	\$633,300
OC Fund	\$502,044
PARS Trust	<u>\$ 52,973</u>
Total	\$1,188,317

APPENDIX A
OC LAFCO - Quarterly Budget Overview³
October 1, 2022 – December 31, 2022

	1st Qtr. General Fund	2nd Qtr. General Fund	YTD General Fund	YTD Special Revenue Funds	TOTAL FY 22/23 Budget	General Fund %
Revenue:						
Addition/(Use) of Unreserved Equity	\$ -	\$ -	\$ -	\$ -	\$ 322,090	0.0%
LAFCO Apportionment	1,216,871	10,859	1,227,730	-	1,227,730	100.0%
Filing Fees	-	-	-	44,189	-	0.0%
Misc Revenue	-	-	-	-	-	0.0%
Interest & Dividends	724	3,322	4,046	-	6,300	64.2%
PARS Trust Investment Gain/Loss	(2,592)	1,533	(1,059)	-	-	0.0%
Total Revenue	\$ 1,215,003	\$ 15,714	\$ 1,230,717	\$ 44,189	\$ 1,556,120	79.1%
Expenditures:						
Salaries	\$ 123,295	\$ 105,209	\$ 228,504	\$ 7,449	\$ 574,500	39.8%
Hourly Employees	-	529	529	-	20,800	2.5%
Benefits & Insurance						
Optional Benefit Plan	-	-	-	-	18,500	0.0%
Deferred Compensation	3,655	3,201	6,856	-	17,500	39.2%
Retirement Benefits	52,462	46,222	98,684	-	250,300	39.4%
Health Insurance	14,910	12,780	27,690	-	65,600	42.2%
Retiree Health Benefits	4,155	3,673	7,828	-	19,300	40.6%
Dental Insurance	585	502	1,087	-	2,700	40.3%
Life Insurance	84	72	156	-	460	33.9%
Workers Compensation	-	-	-	-	3,520	0.0%
Medicare	1,795	1,566	3,361	-	8,900	37.8%
Unemployment Insurance	17	-	17	-	-	0.0%
Salary Continuance	309	274	583	-	1,510	38.6%
Accidental Death Insurance	21	18	38	-	170	22.5%
Executive Car Allowance	1,800	1,800	3,600	-	7,200	50.0%
Total - Benefits & Insurance	79,792	70,107	149,899	-	395,660	37.9%
Information Technology	2,370	2,473	4,843	-	12,800	37.8%
Telephone & Internet	3,022	2,052	5,073	-	14,500	35.0%
County of Orange	213	70	283	-	8,200	3.4%
General Liability Insurance	1,913	1,913	3,825	-	7,600	50.3%
Memberships	8,919	9,019	17,938	-	36,400	49.3%
Office Equipment/Supplies	11,414	1,825	13,239	-	22,500	58.8%
Professional Services:						
Legal	6,341	6,287	12,629	15	60,000	21.0%
Accounting/Audit	14,500	10,485	24,985	-	49,700	50.3%
Human Resources	1,050	173	1,223	-	10,000	12.2%
Mapping/Archiving	850	850	1,700	-	9,300	18.3%
Other Professional Services	57,268	33,481	90,749	-	150,000	60.5%
Total - Professional Services	80,009	51,276	131,285	15	279,000	47.1%
Investment Admin Fees	320	67	386	-	660	58.5%
SBE	-	-	-	12,834	-	0.0%
Public Noticing	1,019	-	1,019	4,742	11,650	8.7%
Unincorporated Areas Program	-	-	-	-	8,000	0.0%
Rents/Maintenance	34,973	26,230	61,203	-	104,100	58.8%
Equipment Leases	1,367	1,659	3,026	-	8,700	34.8%
Comm. & Staff Expense	124	656	780	-	7,000	11.1%
Comm. Stipends & Taxes/Fees	2,041	3,696	5,737	-	15,950	36.0%
Professional Development	-	52	52	-	5,000	1.0%
Transportation/Travel	4,457	3,711	8,168	-	13,600	60.1%
Commission Meeting Expense	1,304	307	1,611	-	9,500	17.0%
Refund of Deposit	-	-	-	-	-	0.0%
Total Expenditures	356,550	280,849	637,399	25,040	1,556,120	41.0%
Total Net Income (Loss)	\$ 858,453	\$ (265,135)	\$ 593,318	\$ 19,149	\$ -	

*Financial data represents pre-audited amounts, which does not include all year end adjustments.

³ Financial data represents pre-audited amounts, which does not include all year-end adjustments.

Balance Sheet and Reserves Balance Analysis

This report includes the balance sheet to provide an understanding of OC LAFCO's financial status. The financial document on this page summarizes the agency's assets and liabilities as of December 31, 2022. Please note that the figures provided in this balance sheet are unaudited and subject to change. Additionally, an analysis of the agency's reserve balances is provided on page 6.

APPENDIX B OC LAFCO BALANCE SHEET As of December 31, 2022

	Dec 31, 22
ASSETS	
Current Assets	
Cash and Investments	
County Acct-Payroll	\$ 333,720
Wells Fargo Checking	171,312
Wells Fargo Savings	213,503
OC Fund	502,044
Investment Acct - LAIF	633,300
PARS Trust	52,973
Fair Market Value Adjustments	(11,317)
Total Cash and Investments	1,895,535
Other Current Asset	
Prepaid Expenses - Other	16,886
Retirement Prepaid Expense	124,366
Total Other Current Asset	141,253
Total Current Assets	2,036,787
Fixed Assets	22,028
Other Assets	
Right to Use Assets	799,586
Pension Deposit	190,542
Def. Outflows Pension Related	396,140
Deferred OPEB Contributions	8,794
Deferred Outflows OPEB Related	34,000
Total Other Assets	1,429,062
TOTAL ASSETS	3,487,877
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Salaries Payable	27,369
Compensated Absences	46,394
Total Current Liabilities	73,763
Long Term Liabilities	
Lease Liabilities	823,326
Deferred Inflows OPEB Related	44,000
Net OPEB Liability	103,000
Net Pension Liability	912,794
Def. Inflows Pension Related	746,724
Total Long Term Liabilities	2,629,844
Total Liabilities	2,703,607
Equity	784,270
TOTAL LIABILITIES & EQUITY	\$ 3,487,877

*Figures are subject to change as they have been projected through December 31, 2022 and represent pre-audited amounts.

APPENDIX C
OC LAFCO RESERVE BALANCE
As of December 31, 2022

Cash & Investments Description	Dec 31, 2022 Balance	Commission Approved Balances	Balance Excess / (Deficiency)
County Payroll	\$ 333,720	\$ 247,740 ¹	\$ 85,980
Checking - Wells Fargo	171,312	141,290 ¹	30,022
Savings - Wells Fargo	213,503	205,000 ¹	8,503
OC Fund Investment	502,044	-	502,044
LAIF Investment	633,300	-	633,300
PARS Trust	52,973	-	52,973
Total	\$ 1,906,852	\$ 594,030	\$ 1,312,822 ²

Footnotes:

1 - Per the Cash and Cash Management Policy, the Commission must maintain \$594,030 during fiscal year 2022/23 in order to cover three months of payroll costs (County Payroll), 3 months of operational expenses (Checking - Wells Fargo) and a minimum of \$205,000 (Savings - Wells Fargo) to cover contingency, litigation and unfunded liabilities.

2 - Remaining Available Cash to fund Operations and Reserves.